

State of California

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Legislative Change No.

01-21

Bill Number: SB 1185

Author: SR&T Committee

Chapter Number: 01-543

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Sections 17037, 17062, 17276, 18417, 18633.5, 19104, 19191, 19192, 19306, 19311, 19378, 19443, 19604, 19607, 19705, 21006, 21027, 23001, 23040.1, 23051.7, 23055, 23182, 23608.2, 23609, 23610.5, 23622.8, 23630, 23645, 23646, 23649, 23772, 24416, 24453, 24472, the heading of Part 11 of Division 2, and the heading for Chapter 2 of Part 11 of Division 2.

Date Filed with the Secretary of the State: October 5, 2001

SUBJECT: Change B&CT Law to Corp. Tax Law/Electronic Postmarks/MIC Recapture Exception/RAR Refund Statute/Expand Voluntary Disclosure Program To Trusts

Senate Bill 1185 (Senate Revenue and Taxation Committee), as enacted on October 5, 2001, made the following changes to California law:

This Franchise Tax Board (FTB) sponsored act:

- renames the "Bank and Corporation Tax Law " as the "Corporation Tax Law,"
- makes California law substantially the same as the federal law that permits electronic postmarks to be proof of the date an e-file return is filed,
- adds multi-jurisdictional trusts as participants in the FTB voluntary disclosure program,
- allows FTB to initiate refunds on taxpayer accounts that are overpaid,
- specifies that taxpayers making the federal election to treat a stock purchase as an asset purchase would not trigger a recapture of the Manufacturers' Investment Credit, and
- deletes an obsolete term from the income tax laws.

Sections 17037, 18417, 19705, 21006, 23001, 23055, 24453, and the heading of Part 11 of Division 2 of the Revenue and Taxation Code are amended.

This act renames the "Bank and Corporation Tax Law" as the "Corporation Tax Law."

Sections 19378, 19604, and 19607 of the Revenue and Taxation Code are amended.

This act renames the "Bank and Corporation Tax Fund" as the "Corporation Tax Fund."

Bureau Director

Brian Putler

Date

October 10, 2001

The heading of Chapter 2 of Part 11 of Division 2 of the Revenue and Taxation Code is amended.

This act renames the “Bank and Corporation Franchise Tax” as the “Corporation Franchise Tax.”

Section 19191 of the Revenue and Taxation Code is amended.

This act allows qualified trusts to participate in the Voluntary Disclosure Program. Since trusts are not business entities, the term “qualified business entity” is replaced with “qualified entity” throughout the voluntary disclosure laws.

Section 19192 of the Revenue and Taxation Code is amended.

This act defines “qualified trust” and “qualified beneficiary” for purposes of the voluntary disclosure program. “Qualified trust” is defined as a trust that the administration of which has never been performed in California and which, for the six taxable years ending immediately preceding the signing date of an agreement, had no resident non-contingent beneficiaries. “Qualified beneficiary” is defined as nonresident beneficiaries who have been nonresidents for each of the six taxable years immediately preceding the date the agreement is signed.

This act also removes the phrase “the act adding this subdivision,” which refers to previously enacted law and inserts the specific law citation “Chapter 954 of the Statutes of 1996.”

Section 19311 of the Revenue and Taxation Code is amended.

This act allows FTB to refund, allow a credit, or mail a notice of proposed overpayment to taxpayers resulting from a final federal determination. The refund, credit, or notice must be made within two years of the date of the final federal determination of the Internal Revenue Service changes or within the existing statute of limitation time period.

Section 21027 of the Revenue and Taxation Code is amended.

This act permits FTB to accept electronic postmarks as proof of the date e-file returns are deemed filed.

Section 23649 of the Revenue and Taxation Code is amended.

This act specifies that taxpayers making (or deemed to have made) the federal election to treat a stock purchase as an asset purchase are not required to treat the sale of the stock as a disposition of qualified property for purposes of the Manufacturers’ Investment Credit.

Sections 17062, 17276, 18633.5, 19104, 19306, 19443, 23040.1, 23051.7, 23182, 23608.2, 23609, 23610.5, 23622.8, 23630, 23645, 23646, 23772, 24416, and 24472 of the Revenue and Taxation Code are amended.

This act replaces the obsolete term “income year” with “taxable year.”

This act is effective and operative January 1, 2002.

This act will not require any reports by the department to the Legislature.